

# Americans saving at near record lows: How to beef up your savings

A combination of inflation and post-lockdown "revenge spending" has chipped away at what people can afford to sock away in the bank.

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— There are several factors driving the personal savings rate lower. AndreyPopov/Getty Images/Stockphoto

One of the upsides of the Covid-19 pandemic was the record-high amount of cash that Americans were able to save. With fewer opportunities to shop, travel, and eat out during lockdowns, consumers could sock away the extra cash from both their paychecks (for those who kept their jobs) and the stimulus checks sent out by the federal government.

The personal savings rate hit a record **34% in April 2020**. Three years later, consumer spending has risen and the savings rate has fallen significantly. In March 2023 the personal savings rate had plummeted to a near-record low of just 5.1%.

## Why people are savings less

There are several factors driving the personal savings rate lower. Consumers are making up for lost time, taking advantage of the opportunity to travel or dine out after several years of being unable or uncomfortable doing so.

A larger element driving down the personal savings rate, however, may be the high inflation rate, which has pushed up the cost of everything from everyday items like eggs and electricity to bigger purchases like plane tickets and cars. [Higher interest rates](#) on debt like auto loans and credit cards is cutting into consumers budgets as well.

"The biggest reason that people are saving less is that they're paying more to do the same things today that they did a year ago," says Robert Gilliland, managing director and senior wealth adviser with Concenture Wealth Management. "They're paying more for gas; they're paying more for groceries; they're paying more for electricity."

## Why inflation is so high

After nearly a decade of minimal inflation, the inflation of the past year reflects an economy that rapidly heated up as the country emerged from the short, pandemic-induced recession. As consumers began spending more, demand for goods quickly increased leading to a classic supply-demand mismatch. Ongoing supply chain issues and rising wages have also contributed to the ongoing inflation.

"If companies and employers have to pay more, those costs have to go somewhere," says Jim White, president of Great Oak Advisors. "Typically, it's going to the consumer. The purchaser of their goods or services is going to have to pay more."

It's impossible to say exactly when inflation will fall back to more sustainable levels. The Federal Reserve is trying to lower inflation by raising interest rates 10 times over the past year. Higher interest rates dampen spending by both consumers and businesses, which can slow down economic growth and inflation rates.

There are signs that those efforts are working. Inflation now stands at 4.93%, down from a high of more than 8% last year. However, the [Federal Reserve](#) will now have to balance how the downsides of higher rates (more expensive borrowing costs and potential instability in the banking system) balance against the potential to tame inflation.

## What you can do to shore up your savings in the meantime

No matter what inflation is doing, there are steps that you can take to improve your personal savings picture. During periods of high inflation, you actually may need to save more to make up for the decline in the value of those savings.

### Start by taking these three steps:

- **Re-examine your budget.** Many Americans indulged in some post-pandemic "revenge spending" to make up for lost opportunities during the pandemic. But to save, you'll need to regularly spend less money than you make. If you're saving less than you like, it's time to re-examine your [budget](#) to see if there are areas where you can trim your expenses.
- **Boost – and automate – your savings.** If you're among the more than [60%](#) of American workers who got a raise last year, that's an opportunity to increase the amount that you're saving. The easiest way to do that is to set up automatic transfers into a [high-yield savings account](#), so that you're regularly saving without even thinking about it—and you're getting that money out of your [checking account](#).

"The point is to keep those funds at arm's length," says Cynthia Flannigan, a certified financial planner with Main Street Financial Planning. "That way you're not tempted to spend it."









- **Take advantage of higher interest rates.** One of the upsides of the Federal Reserve's interest rate hikes is the opportunity for savers to earn a better return on their accounts. [Current saving account rates](#) vary significantly, but there are many accounts available now that pay 4% or more for savings. If you're currently getting less than that on your savings, it may be time to shop around for a new bank.

Don't need the money right away? You may be able to find an even [higher rate on a certificate of deposit](#). Stick with CDs that have a [shorter-duration](#), since those tend to be paying better rates right now.

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Beth Braverman is a freelance writer, covering mostly about personal finance, parenting, and making smart money decisions can improve their lives. Beth began her career as a daily newspaper reporter, before moving into the world of magazines and personal finance. A former Money magazine writer, Beth has been a full-time freelancer for seven years. Her work has appeared in dozens of publications, including magazines like Real Simple, Consumer Reports, and AARP, and online at sites like CNNBusiness.com, CNBC.com, and USNews.com. She has received multiple awards for her work, including recognition from the American Society of Business Publication Editors, the Society of American Business Editors and Writers, and the New York Financial Writers Association. Beth received her undergraduate degree in newspaper journalism from the S.I. Newhouse School of Public Communications at Syracuse University. She also holds a master's degree in business reporting from the Columbia University Graduate School of Journalism.

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